PRESS RELEASE | LEONTEQ ANNOUNCES 2016 RESULTS AND ACTION PLAN TO RESTORE PROFITABILITY

Zurich, 9 February 2017

Leonteq AG (SIX: LEON), the independent technology and service provider for investment solutions, today announces its results for the year 2016, reflecting a combination of significantly lower revenues, especially in the second-half, and substantially increased costs. Management has set clear priorities and initiated decisive actions, including additional cost saving measures, to restore profitability. 2017 is expected to be a transitional year.

Leonteq's revenues in the second half and the full year 2016 were much lower than anticipated. This was due to a combination of unfavourable markets in the second-half, especially towards year-end, and various issues and delays faced with platform partners which exacerbated the topline weakness during the company's strategic shift away from own issuances. At the same time, costs increased substantially in 2016, driven by continued investments in staff and other planned growth measures, as well as one-off costs.

Total operating income decreased to CHF 87.7 million (down 19%) in the second half of 2016 compared to the same period in 2015, and to CHF 207.0 million (down 6%) for the full year 2016. Total operating expenses increased to CHF 108.5 million (up 39%) in the second half of 2016 compared to the same period in 2015, and to CHF 189.4 million (up 26%) for the full year 2016. As a result, Leonteq posted a group net loss of CHF 20.0 million for the second half of 2016 compared to a net profit of CHF 29.7 million in the same period in 2015. Group net profit was CHF 17.2 million (down 75%) for the full year 2016. With a Basel III CET 1 ratio of 22.7% as at 31 December 2016, compared to 26.2% at year-end 2015, Leonteq's capital position remains strong. However, as a consequence of the low net profit for 2016, the board of directors proposes no dividend for 2016.

Leonteq acknowledges that it was too optimistic as to how quickly it could implement new partnerships and drive the corresponding revenues. Continued investments in personnel and other growth measures undertaken in parallel resulted in an inflated cost base. Board and management have initiated decisive actions to restore Leonteq's profitability and credibility.

Jan Schoch, CEO of Leonteq: "With these results, we have disappointed our investors, our clients and our employees, and we feel sorry about this. My colleagues and I are determined to do what it takes to bring our business back on a solid, profitable growth track and to restore confidence in Leonteq. This will take time as past mistakes cannot be fixed overnight and market conditions provide no tailwinds either. However, despite this difficult situation, we continue to be fully convinced of the great potential of our business, and the quality and capabilities of our team."

Priorities for 2017 include: 1) improving the cooperation with existing partners in order to resolve operational issues and on-boarding of new partners; 2) implementing additional cost saving measures to control the cost base while continuing to invest selectively into the business; 3) increasing efficiency and profitability by reducing non-profitable businesses and further enhancing automation; and 4) optimizing capital usage in light of upcoming regulations and continued growth of platform assets.

In terms of cost saving measures, Leonteq today announces additional savings with a run-rate of CHF 18 million which come on top of the CHF 10 million cost reduction programme announced in December 2016. The run-rate of CHF 28 million for all the cost reduction measures would represent 15% of Leonteq's 2016 cost base of CHF 179 million excluding exceptional items. The combined impact of these cost measures on the 2017 cost base will amount to CHF 15 million and offset expected cost increases of CHF 13 million, excluding expected one-off costs of CHF 15 million. The additional savings announced today will comprise a combination of flexible working arrangements, efficiency gains and additional initiatives to be launched. Nevertheless, given a weak start, 2017 is expected to be another challenging year, and the additional cost measures might not be sufficient to restore profitability in the absence of solid revenue growth. Management will control the cost base tightly.

In order to strengthen the efficiency and accountability of the management, the board of directors has decided to reduce the executive committee from 11 to 6 members effective immediately. The new executive committee will combine an appropriate balance of client-facing individuals and the heads of the key control and operational functions, all reporting to CEO Jan Schoch. The three business lines will remain unaffected by these changes. Furthermore, the CEO proposed to the board of directors to appoint a deputy CEO out of the 5 executive committee members, at the appropriate time, so that he can primarily focus on new business and the development of Leonteq's key partners and client relationships.

The board of directors has also started a process to strengthen its independence and diversity. In this context, the board intends to nominate two additional independent directors by the annual general meeting 2018, increasing the

LEONTEQ AG
Europaallee 39 | CH-8004 Zurich | Phone +41 58 800 1000 | Fax +41 58 800 1010 | info@leonteq.com | www.leonteq.com

total number of directors from seven to nine. In support thereof, Raiffeisen has waived its entitlement to a second board seat (as per the shareholders' agreement with the founding partners). The remuneration committee will become the nomination & remuneration committee with the majority of the committee members being independent directors.

The Chairman and the Vice-Chairman have waived 34% and 22% of their respective entitled board fees for the current term of office. Overall, the board of directors compensation is 40% below the budget approved by the annual general meeting 2016. As already announced on 19 December 2016, the executive committee has forgone its entire variable compensation for 2016.

Additional disclosure on governance and compensation has been included in the annual report 2016 which has been published today. Further information regarding ongoing governance measures and related shareholder voting items will be provided together with the invitation to the annual general meeting 2017.

Pierin Vincenz, Chairman of Leonteq: "The board shares responsibility for the disappointing 2016 results and the mistakes that have been made. By furthering accountability of the management and increasing the independence of the board, Leonteq's leadership will be strengthened as we are taking firm steps to turn around the company. I'm convinced that Leonteq will execute on its plans and emerge from these challenges even stronger."

OVERVIEW FINANCIAL RESULTS FOR THE FULL YEAR 2016 AND 2015

CHF million	FY 2016	FY 2015	Change in %
Net fee income	209.0	228.7	(9%)
Net trading income	5.5	(4.1)	(234%)
Net interest income	(7.5)	(4.9)	53%
Total operating income	**207.0**	**219.7**	**(6%)**
Personnel expenses	(111.5)	(94.4)	18%
Other operating expenses	(61.1)	(41.5)	47%
Depreciation	(16.8)	(14.6)	15%
Total operating expenses	**(189.4)**	**(150.5)**	**26%**
Profit before taxes	**17.6**	**69.2**	**(75%)**
Taxes	(0.4)	(0.6)	(33%)
Group net profit	**17.2**	**68.6**	**(75%)**

OVERVIEW FINANCIAL RESULTS FOR THE SECOND HALF 2016 AND 2015

CHF million	H2 2016	H2 2015	Change in %
Net fee income	100.4	119.9	(16%)
Net trading income	(10.1)	(8.4)	20%
Net interest income	(2.6)	(3.4)	(24%)
Total operating income	**87.7**	**108.1**	**(19%)**
Personnel expenses	(62.3)	(46.5)	34%
Other operating expenses	(36.9)	(23.9)	54%
Depreciation	(9.3)	(7.7)	21%
Total operating expenses	**(108.5)**	**(78.1)**	**39%**
Profit before taxes	**(20.8)**	**30.0**	**(169%)**
Taxes	0.8	(0.3)	(367%)
Group net profit	**(20.0)**	**29.7**	**(167%)**

GROUP RESULTS AND CAPITAL

Leonteq's platform assets (outstanding volume) totaled CHF 9.2 billion at year-end 2016 compared to CHF 7.9 billion at year-end 2015. The platform assets of Leonteq's platform partners increased to 74% of total platform assets (up from 59%) and came to CHF 6.8 billion as at 31 December 2016, up 45% compared to year-end 2015. In line with the firm's strategy, outstanding volume of Leonteq's own products declined by 25% to CHF 2.4 billion as at year-end 2016.

Total operating income declined by CHF 12.7 million, or 6%, year-on-year to CHF 207.0 million, primarily driven by a decrease in net fee income of CHF 19.7 million to CHF 209.0 million, which was partially offset by an increase in net trading income of CHF 9.6 million. This increase in trading income reflects a relative reduction of the negative treasury carry on Leonteq's own products and positive contributions from hedging activities. Net interest income decreased to CHF -7.5 million in 2016, from CHF -4.9 million in 2015, due to higher margin financing and credit line costs charged by counterparties.

Total operating expenses increased by 26% to CHF 189.4 million in 2016, mainly due to hires made in 2015 and in the first half of 2016 as well as higher office rental expenses and other operating expenses. Personnel expenses increased by 18% to CHF 111.5 million. The average staff base increased by approx. 30% in 2016 compared to 2015, with fixed compensation increasing accordingly, while variable compensation was significantly reduced. Personnel expenses also included one-off costs of CHF 3 million. Other operating expenses increased significantly by 47% to CHF 61.1 million, primarily as a result of CHF 7 million charges associated with the relocation to new office locations as well as one-offs costs in the amount of CHF 7 million. The cost-income ratio stood at 91%, compared to 69% in 2015.

Leonteq's total eligible capital stood at CHF 385.3 million as of 31 December 2016, compared to CHF 388.2 million as of 31 December 2015. The BIS total capital ratio was 22.7% as of 31 December 2016, versus 26.2% at year-end 2015. FINMA-required capital rose by 15% to CHF 136.0 million. This was primarily due to an increase in market risks in line with the growth in platform assets.

SEGMENT AND REGIONAL RESULTS

Segment results are shown in accordance with the new company organization presented at Leonteq's Investor Day.

The Investment Solutions business line, which focuses on the manufacturing and distribution of Leonteq's own and its partner banks' products, posted a 4% decrease in total operating income to CHF 162.1 million and a 56% decline in segment profit to CHF 28.7 million, compared to the prior year. The Banking Solutions business line, which helps its currently three partner banks establishing or enhancing their own structured investment products manufacturing and distribution, saw total operating income declining by 12% to CHF 22.8 million and segment profit by 69% to CHF 3.2 million. In both business lines, key drivers for these unsatisfactory results were subdued client demand, reduction in margins in combination with significant increase in activity and project-related as well as overhead costs. In Insurance & Wealth Planning Solutions, total operating income was CHF 22.1 million (down 14%) and segment profit CHF 15.1 million (down 11%), mainly reflecting the current low interest rate environment which favours traditional insurance products in contrast to unit-linked insurance policies and impacted both new subscription income and income from the existing business.

Turnover generated by Investment Solutions increased by 10% to CHF 15.9 billion for the year 2016. This increase was driven by strong growth in turnover generated with platform partners, up 68% to CHF 10.6 billion in 2016 compared to CHF 6.3 billion in 2015, partly offset by a decrease in turnover from own issuance which was down 35% to CHF 5.3 billion. Overall margins for the Investment Solutions segment decreased by 13 basis points to 102 basis points. Margins generated with platform partners stood at 97 basis points in 2016 compared to 121 basis points in 2015, as a result of a change in product mix towards high turnover and low margin OTC products. At the same time, own margins remained stable at 112 basis points.

Total operating income in Asia rose 17% to CHF 28.0 million year-on-year, while total operating income in Europe was down 4% to CHF 91.7 million. Total operating income in Switzerland decreased by 13% to CHF 87.3 million, as a result of reduced activity in the Insurance & Wealth Planning Solutions business and the reduction in own issuances. Leonteq's staff base was at 510 FTEs at year-end 2016, and the firm has relocated to new headquarters at Europaallee in Zurich.

PLATFORM PARTNER UPDATE

Leonteq added J.P. Morgan, Deutsche Bank, Bank of Montreal, Raiffeisen Schweiz (replacing Notenstein La Roche Private Bank) and Aargauische Kantonalbank to its platform partner network in 2016. In the course of the year 2016, Leonteq faced balance sheet restrictions with some banking partners, saw limitations at various issuers in terms of product features and had to tackle operational and process matters with the new partners. Limited progress was achieved in 2016 with regards to pre-announced, envisaged partnerships in banking and insurance business. As stated above, resolving such bottlenecks together with the partners is among the key priorities for 2017.

In a separate announcement, Leonteq today announced that it has signed a cooperation agreement with Crédit Agricole Corporate and Investment Bank. In this context, Crédit Agricole CIB will leverage Leonteq's technology and the expertise of Leonteq's Banking Solutions business line to customise and distribute structured products to its client network.

CHANGES TO EXECUTIVE COMMITTEE STRUCTURE

Effective immediately, the executive committee will be composed as follows:

Jan Schoch	Chief Executive Officer
Marco Amato	Chief Financial & Risk Officer
Jochen Kühn	Head of Insurance & Wealth Planning Solutions
Manish Patnaik	Chief Operating Officer
Ulrich Sauter	General Counsel
David Schmid	Head of Investment Solutions & Banking Solutions

In addition, the management committee will include:

Justin Arbuckle	Chief Technology Officer
Rüdiger Assion	Chief Communications Officer
Sandro Dorigo	Head of Business Development
Steven Downey	Head of Markets
Tobias Wohlfarth	Head of Banking Solutions

CONTACT

Media Relations
+41 58 800 1037
media@leonteq.com

Investor Relations
+41 58 800 1031
investorrelations@leonteq.com

LEONTEQ

Leonteq is an independent technology and service provider for investment solutions. Headquartered in Zurich, Leonteq operates globally with offices in Geneva, Monaco, Guernsey, Frankfurt, Paris, London, Amsterdam, Singapore, and Hong Kong. The core of Leonteq's offering is a proprietary and innovative IT and investment services platform designed to maximise flexibility, transparency, and service for the company's platform and distribution partners. Leonteq's registered shares (LEON) are listed on SIX Swiss Exchange.
www.leonteq.com

LEONTEQ FULL-YEAR 2016 RESULTS PRESS AND ANALYST CONFERENCE TODAY

A press and analyst conference with Pierin Vincenz, Chairman, Jan Schoch, CEO, and Marco Amato, CFO, will be held today, 9 February 2017 at 9.30am CET at the Convention Point of SIX Swiss Exchange, room Auditorium.

Should you wish to participate by telephone please use the following dial-in details:
- Dial-in number Switzerland: +41 (0)58 310 50 00
- Dial-in number UK: +44 (0)203 059 58 62
- Dial-in number USA: +1 (1)631 570 5613

Please call 10-15 minutes before the start of the presentation and ask for "Leonteq full-year results 2016".

This press release, the 2016 results presentation and the 2016 annual report are available on www.leonteq.com/investorrelations

A digital playback of the telephone conference will be available approximately one hour after the conference call for 48 hours via the following numbers:
- Switzerland: +41 (0)91 612 4330
- UK: +44 (0)207 108 6233
- USA: +1 (1)631 982 4566

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